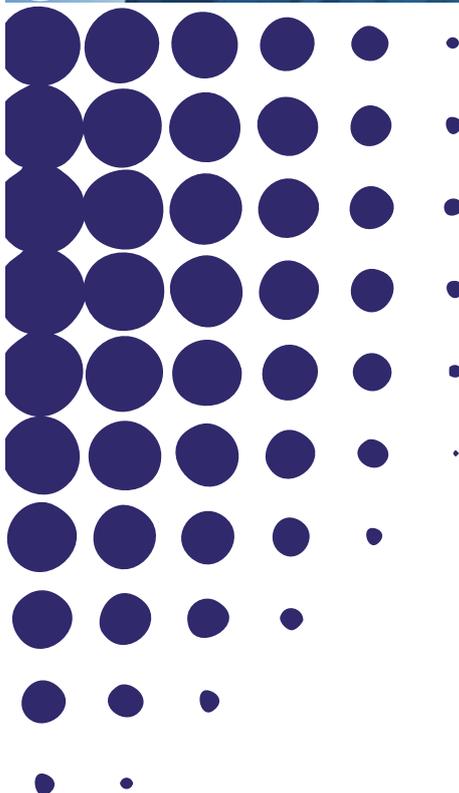


WP5/06 SEARCH WORKING PAPER

# Cultural Diversity and National Performance

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# Cultural Diversity and National Performance

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## **Abstract**

This paper focuses on impacts of cultural diversity and ethnic fractionalization on different aspects of national performance. Under the circumstances of Europeanization and Globalization, cultural and ethnic diversity is expected to further increase both in the EU and in the ENPI countries. Based on empirical surveys that were mostly conducted outside the European contexts, a big part of theory argues that diversity has negative impacts on social cohesion and quality of governance, on economic performance and human development, in other words that diversity is bad for national performance. A first aim of this paper is to test whether the assumption about negative impacts of diversity does apply in most of the EU and the ENPI countries. For this reason, diversity is being defined, measured and compared across several countries and then put side by side with national performance in governance, global competitiveness and human development, as well with the level of generalized trust in each country. Subsequently, it is investigated, among EU and ENPI countries, whether acceptance of diversity is significantly stronger in some of them. Furthermore, institutional and cultural features of EU countries that were found to be more open to diversity while also reaching good scores of national performance are selected and systematized, following actor-centered institutionalism. The final aim of this paper is to draw lessons about institutions and policies that promote incorporation of diversity as a dynamic element of Europeanization and an addressee of ENPI policies.

## **Keywords**

Accepting diversity, citizenship regimes, culture, diversity, ethnic diversity, ethnic fractionalization, generalized trust, global competitiveness, human development, inequality, institutional performance, minorities, political culture, rational values, self-expression values, state tradition, welfare state models

## **JEL Classification**

J240, O180, O470, R110

## 1. INTRODUCTORY REMARKS

From the very beginning of their historical course, nation-states in Europe eagerly tried to homogenize their societies. Homogenization in terms of ethnicity and language, religion and core values has been promoted in many different ways. In most European countries, a national educational system was conceived, developed and excessively used as a main instrument of cultural homogenization. Normative frameworks and public institutions, meanings and symbols were employed in order to align divergent peculiarities of social groups and individuals. Cultural diversity within the borders of a country has been regarded for long as a major handicap in the ruthless rivalry among nation states. Even in today's globalization era, ethnic diversity (Mauro , 1995) and especially the so-called ethno-linguistic fractionalization has been implicated as a factor of poor economic performance (Easterly and Levine, 1997) and societal instability (Nettle et al. 2007).

On the other hand, there is evidence, that possible negative effects of ethno-linguistic fractionalization on economic performance can be counterbalanced through strong institutions (Easterly, 2001). According to the point of view of the "new institutionalism" (Lijphart 1999, March and Olsen 1989, North 1990), the organization of political life has important consequences for nature and quality of politics. Institutions help structure the nature of political discourse, furthermore they create opportunities and incentives for elites to mobilize citizens. Also tolerance and incorporation of cultural diversity, depend on institutional patterns (e.g. citizenship regimes, Weldon 2006). Moreover, there are historical examples (such as in communist Eastern Europe, but also elsewhere) where social fractionalization has been temporarily suppressed through authoritarian regimes excessively using ideology, state institutions and various repressive methods, enforcing a "pretended" homogenization that vanishes, however, as soon as the regime falls (Ash, 2000). Within a democratic system, coordination of social and economic life can be ensured, on the long run, through reliable institutions and their regulatory capacities.

Institutional performance, in its turn, is obviously connected not only to institutional design but also behavioral factors, such as the established political culture, including traditions and path dependencies (Arikan, 2011). European states follow distinct state traditions, citizenship regimes and welfare models, all of which address the balance between homogeneity and diversity not only at the institutional but also at the cultural level. From the very beginning, European Integration

has been based on the acceptance if not encouragement of diversity both across but also within countries and member states. Europeanization, Globalization and other factors (e.g. environmental changes, socio-demographic and value developments etc.) are expected to further promote diversity. European Union is encouraging policies and practices of tolerance and openness, mainly through normative (“acquis communautaire”) and economic instruments, while leaving space to national institutional choices and traditions.

All democracies can principally be described as “open societies” (Popper, K., 2006), since political leaders can be overthrown through free vote and choice of the people. In open societies, human rights are respected and government is expected to be responsive to the needs of people, transparent in its options and tolerant towards minorities. An open society is associated with cultural and religious pluralism, while it is always open to change and improvement because there is no ultimate truth and knowledge is always ongoing. Individualism and criticism seem to flourish in democratic states and open societies, paving the way for the prevalence of secular-rational over religious values and self-expression over survival attitudes (Triandis, 1995, Welzel, 2006, Li and Bond, 2010). Furthermore, secular/rational and self-expression values seem to correspond to higher levels of generalized interpersonal trust (Díez, 2009) that is expected to connote more tolerance towards strangers and people different from oneself. In other words, the higher the generalized interpersonal trust is, the higher is the acceptance of cultural diversity within one’s own living environment expected to be.

The paper is structured as follows. The next session deals with the question of defining and measuring diversity, reviewing theory and using data on diversity from several surveys. Then, the third part tests the wide spread hypothesis that cultural diversity has negative impacts on a country’s institutional and economic performance, on human development, on social cohesion, inequality and social trust. The fourth part is attempting to trace acceptance of diversity in different societies, using elaborated data from different sources but also secondary literature, engaging also human development theory. Based on the findings of this previous part, the fifth part adopts the perspective of actor-centered institutionalism, while first systematizing institutional and cultural features in EU-15 countries with long trajectories on the path of Europeanization in order to pick out institutional features and characteristics that seem to encourage the incorporation of diversity. Finally, some conclusions concerning constructive inclusion of diversity in the EU and its neighbors are drawn.

## **2. DEFINING AND MEASURING DIVERSITY**

According to the sociological approach, culture is a common pattern of beliefs, values and behaviors within a group of people. Hofstede (1984), simply defined culture as “a collective programming of the mind which distinguishes the members of one category of people from another” and clarified that “mind” stands not only for thinking and feeling but also for acting. values provide limits and act as effective guide for individual action and behavior. In other words, Culture provides group members with beliefs and values channeling individuals into an assortment of possible behaviors (Triandis, 1995). The adaptation of these shared values and assumptions by the younger generation through learning and socialization means that culture has a stable element (Arikan, 2011), although this fact does not justify a perception of culture as a static element. Cultural orientations within a certain group of people usually adjust to significant changes in physical, political, or economic environments. However, cultural change is regularly slow and it disseminates easier to younger people, resulting in intergenerational changes (Inglehart, 1990).

In scientific literature, culture is often implied as an explaining framework and an independent variable for cross-national variation in institutional or/and economic performance (Inglehart & Welzel, 2005). Consequently, when countries are compared, the aspect of “culture” is often used in order to trace and explain disparities. Cultural differences can be captured, according to Hofstede (1980) by four dimensions: power distance, uncertainty avoidance, individualism-collectivism and masculinity-femininity (Kaasa, 2012). This kind of cross-national comparisons refer to cultural dimensions and characteristics that have been empirically measured at country or national level (sometimes also at sub-national regional level), considering nations as cultural units and usually putting aside cultural variations within countries compared. The assumption that countries are more or less culturally homogeneous is questionable, even in Europe where nation-states have a long history and a long tradition of homogenization efforts and processes. On the other hand, the homogenizing forces of political and educational systems, nation-wide living contexts, mass media and national symbols would tend to frame a cultural unit at the country level (Hofstede, 1980), especially in long-established nation states. Schwartz (2004) compared the within and between-country cultural distances across various nations and he found out that cultural distance between samples from different countries is almost always greater than the distance between samples from the same country.

Then again, it is obvious that sub-national cultural variations exist in every country, but degrees and combinations of these dissimilarities can be very different. Furthermore, there is always the question of defining cultural dissimilarities and cultural sub-groups through adequate criteria. For example, the criterion of “racial” characteristics in defining cultural sub-groups, is facing strong criticism, while ethnic, linguistic, religious and regionalist criteria are quite common in defining

and distinguishing cultural units (Alesina and La Ferrara, 2005). Furthermore, percentage of immigrants in a country's population, sometimes further distinguishing between "recent" (less than 5 years in the country) and "simple" immigrants is used in order to address cultural diversity and its impact on economic life of a country, a region or a city (Card 2001, Ottaviano and Peri, 2006).

According to several studies, the scale of cultural diversity within a country can have distinct impacts on development prospects and growth. For example, sub-saharian Africa's poor economic performance has been ascribed to its' high ethno-linguistic diversity (Easterly and Levine, 1997). Quite often, even the use of the term "fractionalization" instead of "diversity", seems to allude a negative effect on social cohesion. According to some scholars, ethno-linguistic fractionalization leads to poor policy decisions, because strong competition among solid interest (ethnic) groups for the provision of public goods and the control of limited resources is expected, also resulting in higher levels of government consumption (Alesina et al. 1999). Ethnic diversity is a factor that can negatively influences the quality of government (La Porta et al. 1999). Ethnically polarized societies are often characterized by competitive rent-seeking activities by different groups and can hardly agree upon choices for public infrastructure (Alesina et al. 2003, 2005), diversity is costly in terms of social cohesion (Putnam 2007). Furthermore, ethnic fractionalization in a community is supposed to decrease generalized interpersonal trust that is a key element of social capital (Glaeser et al. 2000). Since out-group trust is the exception and in-group trust is the norm, different cultures would impede economic integration and cultural diversity would cause increasing competition between incompatible ways of life (Forbes, 1997). Robert Putnam (2007) argued that reduction of homogeneity in American areas (parallelized to ethnic heterogeneity in Eastern Europe) goes along with setbacks in both bonding and bridging social capital, having significant impacts for both institutional and economic performance.

But how can one exactly measure the degree of cultural diversity within a country and examine its impact on economic growth? Mauro (1995) introduced the concept of ethnic diversity and empirically examined its effect on economic growth, employing the diversity index, the Ethno-Linguistic Fractionalization (ELF) Index. Mauro concluded that ethno-linguistic fractionalization leads greater probability of political instability and impedes economic development. The concept of the ELF was developed in 1964 by Soviet social scientists in an attempt to determine the number of ethno-linguistic groups in the world population (Okedji 2011). Later on, Taylor and Hudson (1972) used the Soviet data to compute an ELF Index, based on linguistic groupings, that became the most widely used measure of ethnic diversity.

Nevertheless the ELF Index has been criticized, since language like other forms of differentiation such as race, religion, and culture, despite their instrumental value often cover fundamental distinctions in ethnically plural societies (e.g. Brazil, Nigeria, Canada, Russia, but also Switzerland, U.K. and elsewhere). In addition to that, ethnic and singular cultural indices of diversity pose the additional complication of overlap. Ethnic identity includes multiple cross-cutting features that combine linguistic, racial, religious, and cultural elements, blurring distinctions (Okedji 2011). Furthermore, ethnic identity is not necessarily, as some “premordialists” argue a pre-existing exogenous factor. A much more convincing “constructivist” approach, highlights the fact that ethnic identity can also be an endogenous construct (Fearon, 2003) that is instrumentally crafted and manipulated for political and other reasons, it can furthermore be fluid at the side of context and time. For these reasons, some authors have proposed a mixture of measures of ethnic fragmentation, which are modifications of the ELF index (e.g. Alesina et al, 2003, Fearon 2003, s. also below). A much more sophisticated index has been developed by Okedji (2005), which is a weighted index of ethnic, religious, racial and linguistic diversity, measuring social fragmentation and is trying, for the first time, to combine multiple and overlapping characteristics of ethnic identity in a single index, the Social Diversity Index (SDI). Major sources of data for identifying ethnic groupings for measuring diversity (Okedji 2005) were the Encyclopedia Britannica, the Library of Congress Country Study, the World Christian Encyclopedia, the CIA World Factbook and the Handbook of Political Indicators. In the following table, ELF and SDI scores of various countries (unfortunately not including East European Countries) are being presented:

**Table 1: Ethnic fractionalization (ELF index) and cultural diversity (SDI index) scores by region and country**

<b>Region/ Country</b>	<b>ELF</b>	<b>SDI</b>	<b>Region/ Country</b>
<i>W.Europe</i>			<i>W.Europe</i>
Belgium	0.55	0.8615	Switzerland
Switzerland.	0.50	0.8582	Germany
Spain	0.44	0.8541	UK
Cyprus	0.35	0.8464	France
UK	0.32	0.7620	Belgium
France	0.26	0.7435	Spain
Finland	0.16	0.6750	Italy
Luxembourg	0.15	0.6253	Sweden
Austria	0.13	0.6127	Ireland
Greece	0.10	0.5768	Luxembourg
Netherlands	0.10	0.5558	Austria
Malta	0.08	0.5263	Norway
Sweden	0.08	0.4505	Netherlands

Denmark	0.05	0.3517	Cyprus
Iceland	0.05	0.3176	Finland
Norway	0.04	0.2999	Greece
Ireland	0.04	0.2977	Denmark
Italy	0.04	0.2807	Iceland
Germany	0.03	0.2771	Portugal
Portugal	0.01	0.2045	Malta
<b>M.East</b>			<b>M.East</b>
Turkey	0.25	0.9527	Israel
Syria	0.22	0.6963	Turkey
Israel	0.20	0.5421	Syria
<b>N.Africa</b>			<b>N.Africa</b>
Morocco	0.53	0.7932	Morocco
Algeria	0.43	0.6450	Algeria
Tunisia	0.16	0.5200	Tunisia
Egypt	0.04	0.4707	Egypt

SOURCE: For ELF: Taylor and Hudson (1972), For SDI Okedji (2011)

Differences in ranking of countries, between the ELF and the SDI measuring, are not only due to different sampling times, but also to the fact that ELF has only been measuring linguistic diversity and, for this reason, a country like Germany, for instance, seems to be the second most homogeneous countries in Europe, while the same country, according to SDI, is assessed as the second most heterogeneous country in Europe. It is obvious that this is not only the result of much higher percentages of migrants in Germany when SDI has been measured, but also to the fact that, among other factors, also religious fractionalization is captured by SDI.

Ex-communist central and eastern European countries have been included in some other studies that measured cultural diversity. In order to measure social heterogeneity, Alesina et al. (2003) developed fractionalization scores simply based on ethnicity, religious and linguistic data directly from the Encyclopedia Britannica (EB) lists but also from other secondary sources for countries not listed in the EB. Data on ethnicity were collected in different single years (ranging from the recent year 2001 for some countries back to 1979 for other countries). Furthermore, relative significance and salience of each ethnic group had not been taken into consideration. A much more reliable methodology has been developed by Fearon (2003) who constructed a list of ethnic groups depending on what people in the country identify as the most socially relevant ethnic groupings. In other words, “*the idea of an ethnic group is the idea that members and non-members recognize the distinction and anticipate that significant actions are or could be conditioned on it*”. In addition to that, Fearon constructed an index of cultural fractionalization that used the structural distances between languages as a proxy for the cultural distance between groups in a country.

Fearon's study seems to offer the most reliable measurement of ethnic and cultural fractionalization that included a very wide range of countries:

**Table 2: Ethnic fractionalization and cultural diversity scores by region and country**

<b>Region/ Country</b>	<b>Ethnic Fractionalization</b>	<b>Cultural Diversity</b>	<b>Region/ Country</b>
<i><b>W.Europe</b></i>			<i><b>W.Europe</b></i>
Switzerland	0.575	0.462	Belgium
Belgium	0.567	0.418	Switzerland
Spain	0.502	0.359	Cyprus
Cyprus	0.359	0.263	Spain
UK	0.324	0.251	France
France	0.272	0.189	Sweden
Sweden	0.189	0.184	UK
Ireland	0.171	0.157	Ireland
Finland	0.132	0.132	Finland
Denmark	0.128	0.128	Denmark
Austria	0.126	0.1	Austria
Norway	0.098	0.098	Norway
Germany	0.095	0.09	Germany
Netherlands	0.077	0.077	Netherlands
Greece	0.059	0.05	Greece
Portugal	0.04	0.04	Portugal
Italy	0.04	0.04	Italy
<i><b>E. Europe</b></i>			<i><b>E. Europe</b></i>
Bosnia	0.681	0.492	Estonia
Latvia	0.585	0.441	Latvia
FYRMacedonia	0.535	0.432	FYRMacedonia
Estonia	0.511	0.404	Georgia
Moldova	0.51	0.401	Moldova
Georgia	0.49	0.311	Russia
Ukraine	0.419	0.293	Slovakia
Croatia	0.375	0.265	Romania
Belarus	0.372	0.259	Lithuania
Lithuania	0.338	0.258	Ukraine
Russia	0.333	0.25	Bulgaria
Slovakia	0.332	0.228	Belarus
Czech Republic	0.322	0.187	Azerbaijan
Romania	0.3	0.185	Croatia
Bulgaria	0.299	0.185	Hungary
Slovenia	0.231	0.17	Slovenia
Azerbaijan	0.188	0.146	Bosnia
Hungary	0.186	0.124	Armenia
Armenia	0.134	0.082	Albania

Albania	0.097	0.064	Czech Republic
Poland	0.047	0.041	Poland
<i>M.East</i>			<i>M.East</i>
Lebanon	0.78	0.299	Turkey
Syria	0.581	0.246	Israel
Israel	0.526	0.235	Syria
Jordan	0.509	0.195	Lebanon
Turkey	0.299	0.049	Jordan
<i>N.Africa</i>			<i>N.Africa</i>
Morocco	0.479	0.36	Morocco
Algeria	0.32	0.237	Algeria
Egypt	0.164	0.127	Libya
Libya	0.151	0.033	Tunisia
Tunisia	0.039	0	Egypt

SOURCE: Fearon 2003

According to the aforementioned data, it is obvious that ethnic fractionalization and cultural diversity are, generally speaking, higher in Eastern Europe, Middle East and North Africa, than in Western Europe. However, in certain West European countries the corresponding scores are quite high (e.g. in Switzerland, Belgium, Spain, Cyprus, U.K, and France), not only compared to the rest of the West European Countries, but also compared to many East European, Middle Eastern and North African countries.

### 3. IMPACTS OF DIVERSITY ON NATIONAL PERFORMANCE AND SOCIAL COHESION

It would certainly be interesting to test, whether the widely accepted hypotheses, that cultural diversity is costly in terms of institutional and economic performance, human development and generalized interpersonal trust (s. above) can be confirmed, simply comparing the scores of cultural diversity with the scores of governance quality, economic performance in terms of competitiveness, human development and generalized trust in each country.

Concerning *cultural diversity*, Fearons index (2003) of “ethnic fractionalization” has been used, because it covers much more countries than the ELF and the SDI indexes, furthermore it includes more criteria the single linguistic criterion of Fearons index on structural distances between language. Fearon’s definition of “ethnic” group is based on the distinction and the significance of that group as it is perceived both by members and non-members of this group.

Concerning *governance quality* (GQ) factor of overall governance (from -2 min. to +2 max.) has been used, that has been elaborated by Kaasa (2012) for the SEARCH Project, based on data from

the Worldbank (2010) including six measures of governance, namely Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption.

Concerning *competitiveness*, the *Global Competitiveness Index* (GCI) is employed (scores min. 0-7 max.). The report of the *World Economic Forum* (WEF). The WEF (World Economic Forum, 2011) defines *competitiveness* as *the set of institutions, policies, and factors that determine the level of productivity of a country*. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy. The Global Competitiveness Index includes a weighted average of many different components, each measuring a different aspect of competitiveness. These components are grouped into 12 interrelated pillars of competitiveness (Quality of Institutions, Infrastructure, Macroeconomic Environment, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Development, Technological Readiness, Market Size, Business Sophistication, Innovation). The GCI uses various data sources for statistics but also the World Economic Forum's annual Executive Opinion Survey (Survey) to capture concepts that require a more qualitative assessment (WEF 2011). As an assessment of economic capacity and performance, the GCI has some advantages in comparison to GDP or GDP Growth, since it includes a series of many different variables affecting economic performance and is not simply a measure of production of goods and services. Moreover, criticism on GDP has pointed out since decades, that it is not an adequate and reliable measure of social welfare, development and prosperity (Galbraith 1958, Samuleson 1961, Sen 1976, Berg 2007).

Arguments against GDP as a measure were among the causes that led to the conception of another index of development, the *Human Development Index* (HDI), which has been created by Mahbul ul Haq, followed by Amartya Sen in 1990. HDI is measuring development by combining indicators of life expectancy, educational attainment and income (Health-Education-Living Standards) into a composite index, a single statistic which serves as a frame of reference for both social and economic development. The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 and 1. Data for Human Development reports are collected from UN authorities, UNESCO and the World Bank, not directly from countries (UNDP 2011).

Finally, concerning *social capital*, its' core element, namely the *generalized trust to strangers* is being presented. Scores of generalized trust refer to the people that answered in each country that "others" in their society could be trusted. Data are from 2010, covering a big number of countries and coming from Gallup World Poll & World Values Survey, elaborated by the Legatum Institute

(Legatum Institute, Legatum Prosperity Index 2011). Generalized trust is expected to be *sensitive to culture diversity*, since it refers to trusting the “others”, strangers etc.).

**Table 3: Ethnic fractionalization, governance, competitiveness, development and trust**

<b>Region/ Country</b>	<b>Ethnic Fract.</b>	<b>GQ</b>	<b>GCI</b>	<b>Human Devel.</b>	<b>Gener. Trust</b>
<b><i>W. Europe</i></b>					
Switzerland	0.575	1.39	5,74	0.903	45.27
Belgium	0.567	0.97	5,20	0.886	30.61
Spain	0.502	0.46	4,54	0.878	22.44
Cyprus	0.359	0.71	4,36	0.840	-
UK	0.324	1.03	5,39	0.863	35.79
France	0.272	0.90	5,14	0.864	19.86
Sweden	0.189	1.46	5,61	0.904	56.14
Ireland	0.171	1.11	4,77	0.908	30.47
Finland	0.132	1.56	5,47	0.882	58.51
Denmark	0.128	1.52	5,40	0.895	62.05
Austria	0.126	1.23	5,14	0.885	30.07
Norway	0.098	1.38	5,18	0.943	74.2
Germany	0.095	1.09	5,41	0.905	31.59
Netherlands	0.077	1.33	5,41	0.910	46.93
Greece	0.059	-0.08	3,92	0.861	16.46
Portugal	0.04	0.53	4,40	0.809	27.85
Italy	0.04	0.05	4,43	0.874	20.71
<b><i>E. Europe</i></b>					
Bosnia	0.681	-0.99	3.83	0.733	-
Latvia	0.585	0.22	4.24	0.805	13.10
FYRMacedonia	0.535	-0.67	4.05	0.728	9.13
Estonia	0.511	0.69	4,62	0.835	34.04
Moldova	0.51	-1.00	3,89	0.649	12.58
Georgia	0.49	-0.61	3.95	0.733	-
Ukraine	0.419	-1.19	4.00	0.729	30.66
Croatia	0.375	-0.07	4.08	0.796	22.16
Belarus	0.372	-1.66	-	0.756	35.64
Lithuania	0.338	0.29	4.41	0.810	25.52
Russia	0.333	-1.39	4.21	0.755	24.69
Slovakia	0.332	0.35	4,19	0.834	21.24
Czech Republic	0.322	0.51	4,52	0.865	25.40
Romania	0.3	-0.33	4.08	0.781	15.17
Bulgaria	0.299	-0.31	4.16	0.771	21.08
Slovenia	0.231	0.49	4.30	0.884	14.89
Azerbaijan	0.188	-1.47	4.31	0.700	-
Hungary	0.186	0.31	4.36	0.816	13.32
Armenia	0.134	-0.88	3.89	0.716	-
Albania	0.097	-0.74	4.06	0.739	-
Poland	0.047	0.38	4.46	0.813	25.23

<b><i>M.East</i></b>					
Lebanon	0.78	-1,24	3.95	0.739	6.74
Syria	0.581	-1.60	3,85	0.632	9.59
Israel	0.526	0.05	5.07	0.888	27.02
Jordan	0.509	-0.64	4.19	0.698	9.56
Turkey	0.299	-0.61	4.28	0.699	8.43
<b><i>N.Africa</i></b>					
Morocco	0.479	-0.91	4,16	0.582	58.51
Algeria	0.32	-1.56	3.96	0.698	15.80
Egypt	0.164	-1.18	3.88	0.644	18.21
Libya	0.151	-1.79	-	0.760	-
Tunisia	0.039	-0.74	4.47	0.698	14.79

SOURCES: Fearon 2003 (*Ethnic Fractionalization Index*), World Bank and Kaasa (*Good Governance Factor, 2010 and 2012*), World Economic Forum (*GCI 2011*), UNDP (*HDI 2011*), Legatum Institute (*Generalized Trust, Gallup World Poll & World Values Survey 2010*).

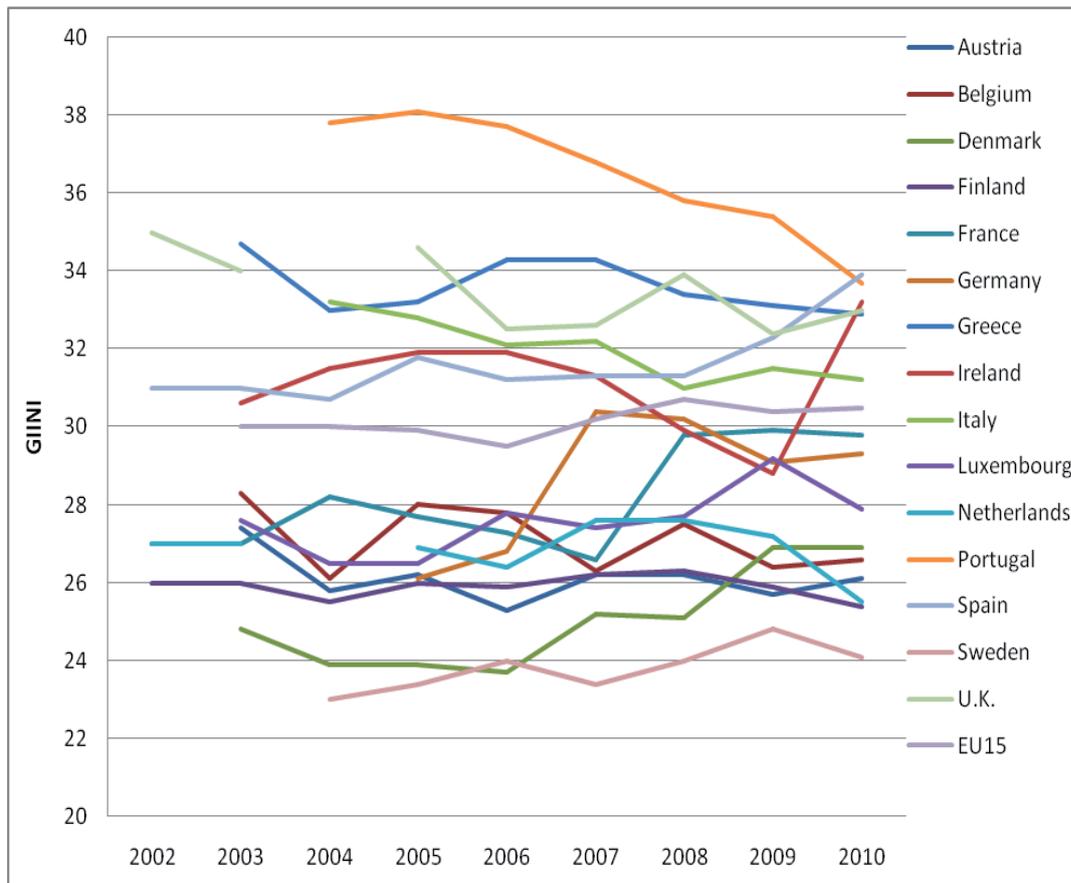
Although, it has not been statistically tested whether and what kind of correlation can be made among these different variables, one can simply compare the scores of different countries in order to check whether the hypothesis that cultural diversity has multiple negative effects (on development, governance, social capital etc.) can be confirmed, or whether the impact of cultural diversity on a country's institutional and economic performance and on social capital is depending on a much more complex set of factors and their constellation within each national context.

In "old" *Western Europe*, Switzerland has the highest score in diversity (also according to the SDI Index, s. Table 1) but also some of the best scores in governance, global competitiveness, human development and a particularly high level of generalized trust. Also Belgium, the country with the second highest "ethnic fractionalization" index in Western Europe has high scores in all categories. On the contrary, Greece and Italy who are among the most homogeneous countries in W.Europe, have comparatively low scores in all categories. In *Eastern Europe*, Latvia, the fourth most heterogeneous country in this region has remarkably high scores in all categories, where much more homogeneous countries, such as Hungary, and much more Armenia and Albania, have comparatively low scores. However, in Eastern Europe, there are some countries where the multiple negative effects of diversity hypothesis cannot be contradicted, for instance in Moldova and Macedonia FYR. In the *Middle East* region, Turkey is the comparatively most homogeneous country, but human development index is much lower than in culturally pluralistic Lebanon, while governance score, competitiveness and especially generalized trust are significantly lower than in Israel. Finally, in *Northern Africa*, ethnically more "homogeneous" Tunisia, which is also the

smallest country in this region, has comparatively better scores in institutional and economic performance

Cross-nation comparisons in each one of the four aforementioned indexes can also be useful. Concerning *generalized trust*, in “old” Western Europe the lowest scores are in Greece, France and Italy, while trust scores are very high in Scandinavia, but also high in Switzerland and UK. In Eastern Europe social trust is; generally speaking, lower than in W. Europe but in several Central and East European countries percentages of generalized trust are obviously higher than in many West European countries. This is, for instance, the case in Belarus (35%) Estonia (34%) and Ukraine (31%). In the M.East, ethnically fractionalized Lebanon that experienced decades of civil war has the lowest score of interpersonal trust (6,7%), while ethnically much more homogenous Turkey, which is also a EU candidate country also has a remarkably low score (8,4%) and Israel, despite several experiences of war and terror, show an interpersonal trust score that is more than three times higher than in the other countries of the region. Finally, in N.Africa, the country with the lowest score in ethnic fractionalization, namely Tunisia, has also the lowest score in generalized trust, while its neighbor Morocco, the ethnically more “fractionalized” country in the whole region, has by far the highest score. In overall *governance* performance, the three ethnically most homogeneous countries in W.Europe, that is Greece, Italy and Portugal have three of the four worse scores, while in Eastern Europe the fourth most “fractionalized” country that is Estonia, has the best score in governance and in N. Africa, ethnically pluralist Morocco has the second best performance. In *Global Competitiveness*, there is a similar picture, since more “fractionalized” countries (Switzerland, Belgium, UK, Sweden) have much better scores than the most “homogenous” countries (Italy, Portugal, Greece). Finally, concerning human development, the lowest score in W.Europe belongs to the second most homogenous country that is Portugal, while some of the lowest scores in E.Europe belong to comparatively more “homogeneous” countries (Armenia, Albania).

Another point that is worth seen separately and especially for “old” EU-15 countries because of EU policies and long-term Europeanization effects, is inequality in these EU-15 countries over a period of 9 years. Since cultural diversity and ethnic fractionalization suppose to have negative impact on social cohesion and favor inequalities, it should be tested whether homogenous countries have lower scores of inequality. Data that we used are coming from the World Bank. The World Bank is using the Gini index that measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution (Afonso A, Schuknecht R and Tanzi V 2008). A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.

**Figure 1 : GINI Index of Inequality in the EU-15 2002-2010**

SOURCE: World Bank

Among EU-15 members, it is obvious that inequality is stronger among the countries of Southern Europe, which are also among the most homogenous countries of the EU. Higher inequality can also be found in Ireland and the U.K. which means that scores of inequality are rather connected to the welfare model in these countries (anglo-saxon, mediterranean welfare models, s. last part of this paper) and probably also to other factors, but certainly not to the degree of cultural diversity in the different countries. For this reason, the assumption that ethnic fractionalization has negative impacts on social cohesion and favors inequalities could not be confirmed among EU-15 members. A finding that is worth mentioning is that there is obviously a trend towards convergence in terms of equality/inequality index in the EU-15 that seems to cease after the global crisis of 2007/08 and the Euro/financial crisis of 2010.

All in all, it seems that drawing a straight line of correlation between “ethnic fractionalization” or “cultural diversity” on the one side and deficiencies in institutional and economic performance,

human development and generalized trust, on the other, is more than questionable for the investigated countries. Situation could be different in post-colonialist societies in third world countries, however it is obvious that the doctrine of multiple negative effects of cultural diversity is more than questionable when it comes to European Union, candidate or ENP-countries. On the contrary, there are quite a few countries, both in the EU and among ENP countries, which combine high levels of cultural diversity with high scores in institutional and economic performance, human development and interpersonal trust.

#### 4. TRACING THE ACCEPTANCE OF DIVERSITY

At this point, a further investigation should be made, concerning acceptance of diversity in the societies of different countries. The level of accepting diversity would probably explain whether diversity per se has negative or positive or simply no significant impacts on national performance. More specifically, it should be investigated whether higher performance of some countries which are characterized through ethnic fractionalization is combined to higher tolerance, acceptance and incorporation of diversity. For these reasons, some data concerning seven different measures that indicate *acceptance of diversity* are being presented and evaluated. These measures are:

- Firstly the *Rule of Law*, since this is of particular importance to any kind of minorities. The Rule of Law index shows the extent to which individuals within a society respect property rights, the police and the judiciary system, as well the quality of police and legal safeguards (Data are from 2010 World Bank Governance Indicators, ordinal rating -2 to 2, elaboration by Legatum Institute, 2011).
- Directly connected to the Rule of Law is also *confidence in the judicial system*. A reliable *judiciary* is of particular importance for the protection of minorities and individuals with distinct opinions, attitudes and lifestyles. The question was: Do you have confidence in each of the following or not? How about the judicial system? Percentage which are confident. Data are from 2010 Gallup World Poll, elaboration by Legatum Institute, 2011.
- *Tolerance for Immigrants* obviously is an appropriate measure of public acceptance for diversity. The question was: Is the city or area where you live a good place or not a good place to live for immigrants? Percentage who said yes. Data are from 2010 Gallup World Poll. elaboration by Legatum Institute, 2011.
- *Tolerance for ethnic minorities* is also a proper measure of public acceptance for diversity. The question was: Is the city or area where you live a good place or not a good place to live for ethnic minorities? Percentage who said yes. Data are from 2010 Gallup World Poll. elaboration by Legatum Institute, 2011.

- *Generalized trust* score refers to percentage of people who answered that “others” their society could be trusted. Percentage of people who trust strangers in a society is obviously a good measure of public acceptance for diversity. Data are from 2010, Gallup World Poll & World Values Survey, elaborated by the Legatum Institute.
- Concerning values, there is a fundamental dichotomy between *secular-rational values* on the one hand and *traditional values* on the other. This dichotomy reflects the contrast between societies in which religion and traditions are very important and those in which it is not. It replicates the cleavage between societies where traditionalist ideals of an “undying” “sacred” community prevail and societies where rationalist ideals of secular community overcome. A wide range of behavioral orientations are closely linked with this fundamental contrast of values. Societies near the traditional pole emphasize religion, pride on own nationality, respect for authority, familism and obedience. Societies with secular-rational values have the opposite preferences on all of these topics and promote independent thought (Inglehart and Welzel 2005). It is obvious that secular-rational values pave the way for the acceptance of cultural diversity. Data on values (composite index), are from World Values Survey, 4<sup>th</sup> and 5<sup>th</sup> round (2000 and 2006). Although these data were collected in 5-10 years earlier than the rest of the data concerning acceptance of diversity (e.g. tolerance for immigrants), they can be used as an indicator of prevailing orientation within the society in a certain country, since values usually do not change so fast over time.
- Another major dichotomy is between Survival and Self-expression values. Due to unprecedented prosperity in advanced nations priorities gradually shifted from an emphasis on economic and physical security, towards increasing emphasis on subjective well-being, liberty aspirations, self-expression and the quality of life (Inglehart and Welzel 2005). It is obvious that self-expression values promote tolerance and acceptance of cultural diversity. Data on values (composite index), are from World Values Survey, 4<sup>th</sup> and 5<sup>th</sup> round (2000 and 2006). Although these data were collected in 5-10 years earlier than the rest of the data concerning acceptance of diversity (e.g. tolerance for immigrants), they can be used as an indicator of prevailing orientation within the society in a certain country, since values usually do not change so fast over time.

**Table 4: Tolerance and Acceptance of Cultural Diversity: Some Indications**

Country	Rule of Law	Confidence in the Judicial System	Tolerance for Immigrants	Tolerance for Ethnic Minorities	Trust Others	Trad. Rat. Values	Surv. Self-ex. Values

Algeria	-0.73	64.70	51.71	28.09	15.80		
Austria	1.76	72.35	62.38	69.38	30.07	0.25	1.43
Belarus	-0.94	56.25	70.45	70.88	35.64	0.89	-1.23
Belgium	1.37	47.04	76.70	75.58	30.61	0.50	1.13
Bulgaria	-0.05	17.10	64.02	69.91	21.08	1.13	-1.01
Croatia	0.22	32.09	63.62	71.84	22.16	0.08	0.31
Czech Rep.	0.96	33.72	56.50	55.48	25.40	1.23	0.38
Denmark	1.87	86.05	85.53	85.51	62.05	1.16	1.87
Egypt	-0.03	50	28.16	39.13	18.21	-1.64	-0.54
Estonia	1.13	50.27	45.26	55.52	34.04	1.27	-1.19
Finland	1.94	69.21	71.22	71.82	58.51	0.82	1.12
France	1.43	57.43	81.09	82.02	19.86	0.63	1.13
Germany	1.63	61.07	78.19	78.68	31.59	1.17	0.44
Greece	0.64	33.92	61.79	54.51	16.46	0.77	0.55
Hungary	0.82	47.96	68.77	64.17	13.32	0.40	-1.22
Iceland	1.72	47.85	88.44	87.94	41.1	0.44	1.63
Ireland	1.71	65.09	85.86	87.10	30.47	-0.91	1.18
Israel	0.83	58.95	38.49	50.06	27.02	0.26	0.36
Italy	0.39	43.23	65.51	65.08	20.71	0.13	0.60
Jordan	0.38	69.88	40.75	29.28	9.56	-1.61	-1.05
Latvia	0.83	31.96	55.24	66.75	13.10	0.72	-1.27
Lebanon	-0.64	31.49	47.37	55.78	6.74		
Lithuania	0.72	18.02	52.92	58.62	25.52	0.98	-1.00
MacedoniaFYR	-0.22	23.41	61.42	58.41	9.13	0.12	-0.72
Moldova	-0.45	37.66	52.92	51.58	12.58	0.47	-1.28
Morocco	-0.16	52.35	46.00	22.34	58.51	-1.32	-1.04
Netherlands	1.78	64.99	85.05	83.82	46.93	0.71	1.39
Norway	1.88	80.59	88.80	86.24	74.2	1.39	2.17
Poland	0.68	58.34	57.50	58.89	25.23	-0.78	-0.14
Portugal	1.04	31.81	84.42	78.67	27.85	-0.90	0.49
Romania	0.10	26.50	60.99	67.94	15.17	-0.39	-1.55
Russia	-0.77	34.91	65.84	62.08	24.69	0.49	-1.42
Slovakia	0.65	30.17	65.21	67.87	21.24	0.67	-0.43
Slovenia	1.11	33.60	60.49	75.35	14.89	0.73	0.36
Spain	1.13	43.01	85.00	80.13	22.44	0.09	0.54

Sweden	1.93	71.12	84.88	85.74	56.14	1.86	2.35
Switzerland	1.75	77.94	74.06	71.36	45.27	0.74	1.90
Syria	-0.47	55.50	75.15	48.09	9.59		
Tunisia	0.22	57	50.94	33.39	14.79		
Turkey	0.12	63.37	52.97	50.47	8.43	-0.89	-0.33
Ukraine	-0.73	18.76	49.42	49.40	30.66	0.30	-0.83
Un. Kingdom	1.71	64.40	79.60	83.88	35.79		

SOURCES: *Legatum Institute (Generalized Trust, Gallup World Poll & World Values Survey 2010), World Values Survey (4<sup>th</sup> Round 2000 and 5<sup>th</sup> Round 2006).*

Concerning *Rule of Law*, Scandinavian countries show the highest scores, while among *EU countries* the lowest scores are in Bulgaria (-0.05), Romania (0.10), Italy (0.39) and Greece (0.64). Among *EU- candidate countries*, scores are considerably lower (Macedonia FYR -0.22, Turkey 0.12), while in *East European countries* scores are low also in Russia (-0.77) and the Ukraine (-0.73). Finally, in *Southern Neighboring Countries*, scores are higher in Israel (0.83) and lower in Algeria (-0.73), Lebanon (-0.64) and Morocco (-0.16).

There is a similar picture concerning *Confidence in the Judicial System*: Once more, Scandinavian countries (but also Switzerland) show very high percentages of confidence, while within EU members the lowest percentages are in Bulgaria (17,10%) and Lithuania (18.02), while percentages in *candidate countries* are not lower (Macedonia FYR 23.41%, Turkey 63.37%-higher than all Mediterranean EU countries including France). In East European countries, respective percentages are also not lower than in new EU-members (Ukraine is an exception, where only 18.76% have confidence in the judicial system). In *Southern Neighboring Countries (NC)*, confidence percentage is very high in Jordan (69.88%- higher than in Finland) and in Algeria (64,70%), while it is also quite high in Morocco (52.35), Syria (55.50) and Tunisia (57). Having in mind the low scores in the rule of law in these countries, there could be an historical-cultural explanation of this high confidence to the judicial system, since also Turkey shows a remarkably high rate of confidence to the judicial system, despite poor performance in the rule of law (s. above).

Concerning *tolerance for immigrants and also tolerance for ethnic minorities* it is quite remarkable that highest percentages in Europe are not found only in Scandinavia, but also in other EU countries which have *historical experiences with cultural diversity* as former colonialist powers overseas, such as France, UK and the Netherlands, Spain and Portugal. Tolerance is obviously lower in countries that used to be parts of multi-national European Empires (Bulgaria,

Greece, Poland etc.), while tolerance towards immigrants is higher than tolerance towards own “ethnic” minorities in countries where ethnic minorities for historical, political and other reasons are perceived as a “threat” (Algeria, Morocco, Jordan, Syria, Tunisia, Macedonia FYR, Portugal, Spain and Greece).

As already mentioned elsewhere, *generalized trust*, a significant indicator of tolerance for strangers and cultural diversity in general is very high in Scandinavian countries, but also in Switzerland and the UK. Generally speaking, there seems to be a *North/South divide concerning interpersonal trust* in Europe.

Concerning *values*, it has been argued (Inglehart and Welzel 2005) that in the course of human development there is a “Maslowian” (Maslow 1943) value change progressing from constraint to choice. There is a phased process in which rising level of existential security and autonomy leads to an increased emphasis on rational-secular and self-expression values. During the industrialization phase of development, individuals would tend to emphasize rational-secular values, while self-expression values would overcome during the postindustrial phase. Growing prosperity is offering people more action resources (more material means, higher intellectual skills, wider social connectivity) and individuals experience their lives as safe, secure and self-directed. People perceive room to relieve from unchosen community and unfold their creative human potentials. Since people tend to value the choice they are capable to practice, with growing prosperity there will be a rise of *secular-rational* view on *community ties* on the one hand and a rise of *self-expressive* view on *individual potentials* on the other. Misery would lead people to a diametrically opposed direction, since less action resources would make individuals stick on traditionalist community ties and recede to conformism and survival attitudes. The two dimensions of traditional versus secular-rational and survival versus self-expression values would explain more than 70 percent of cross-cultural variance on scores of more specific values ((Inglehart and Welzel 2005).

The rise of self-expression values strengthens democratic norms and promotes effective democracy, implying a positive relationship between self-expression and liberal political institutions. Furthermore, a positive feedback between democratic institutions and economic progress is anticipated. Thus the human development theory describes change in four state variables—economic progress, rational values, self-expression values, and formal democracy (Welzel, Inglehart & Klingemann 2003). Secular and self-expression values, as already pointed out, tend to accept and incorporate diversity, whereas traditionalist and survival values tend to do exactly the opposite.

Among the different countries, most Scandinavian countries show high scores both in *rationalist-secular* (Sweden 1.86, Norway 1.39) and *self-expression* (Sweden 2.35, Norway 2.17, Denmark 1.87) values. It is worth mentioning that in many former communist countries, rationalist-secular values are comparatively strong (1.13 in Bulgaria, 1.23 in the Czech Republic, 1.27 in Estonia), perhaps also due to the secularist and internationalist ideology of the communist regimes. On the contrary, rationalist-secular values are not particularly strong in some countries where Catholicism (-0.91 in Ireland, -0.78 in Poland, -0.90 in Portugal) maintains a significant influence and, even less, in Islamic countries (-1.64 in Egypt, -1.61 in Jordan, -1.32 in Morocco and -0.89 in “secularized” Turkey). *Self-expression values* are strong in Belgium, France and Ireland but also remarkably widespread in Southern Europe (0.55 in Greece, 0.60 in Italy, 0.54 in Spain and 0.49 in Portugal), while the picture is quite different in Eastern Europe where survival values seem to prevail (-1.01 in Bulgaria, -1.19 in Estonia, -1.22 in Hungary, -1.27 in Latvia, -1.28 in Moldova, -1.55 in Romania, -1.42 in Russia, -0.83 in Ukraine). It is obvious that economic situation in Eastern Europe in combination with the legacy of authoritarian and collectivistic spirit of the communist regimes in the past do not favor proliferation of self-expression values. Survival and conformist values also prevail in EU-candidate (-0.33 in Turkey, -0.72 in Macedonia FYR) and in most of the Southern ENP countries (-0.54 in Egypt, -1.05 in Jordan, -1.04 in Morocco), under the exception of Israel ((0.36).

All in all, concerning accepting of cultural diversity, national histories and contexts seem, once more to be the most important factor. And, once more, wider geographical and historical regions (e.g. the Balkans, Eastern Europe, Central Europe, Scandinavia, Catholic-Mediterranean legacies, Communist legacies etc.) include significant similarities across their countries, even where important cleavages existed during the last decades (e.g. in the Balkans, between the Baltic Sea and Scandinavia, in Central Europe etc.).

## **5. STATE INSTITUTIONS, TRADITIONS AND THE ACCEPTANCE OF DIVERSITY**

In the previous sections, aspects and scales of diversity in various countries have been analyzed, presumptions about negative impacts of diversity on national performance have been tested and a set of social attitudes, value orientations and perceptions in different countries that indicate tolerance towards diversity have been examined. It became clear that some countries obviously seem more able to accept and incorporate diversity. According to actor-centered new institutionalism (Mayntz R and Scharpf F. 1995), this “openness to diversity” is connected to certain institutional factors that means to institutional contexts in each country, but also to

behavioral factors. Under today's contexts and circumstances, acceptance of diversity is certainly a prerequisite for European Integration and European competitiveness in today's Globalization era. Openness towards diversity is, moreover, a prerequisite for social cohesion both cross-country and cross-region wise in the EU as well as inside and across EU- neighboring countries and their region. In this part the review of institutional contexts will be restricted to the EU-15 members that followed the Europeanization path for a longer period (s. also the previous part and Figure 1 concerning convergence of EU 15 in terms of inequality) and have longer traditions as democratic states.

In the Literature, *institutional context of tolerance for ethnic minorities* has been examined by Weldon (2006) who made a comparative, multilevel analysis of Western Europe, focusing on citizenship that has emerged as an important analytical tool for understanding interethnic group relations. Citizenship designs boundaries of membership within a polity and between polities, it defines how the benefits and burdens of membership should be allocated and how the identities of members should be comprehended and accommodated (Aleinikoff and Klusmeyer 2001). Weldon adopts a pattern of three ideal citizenship regime types (Greenfeld 1999) the *collectivistic-ethnic*, *collectivistic-civic*, and *individualistic-civic*. The first one (collectivistic-ethnic) is based on the assumption that the world is primordially, divided into objectively different *ethnic* units, whereas *ethnicity* underlies national divisions and gives rise to national identities. The nation-state is understood in ethnically exclusive terms. The second regime type (collectivistic-civic) also called the "assimilationist" or "republican" model, shares the view that the nation-state is a collective entity, but it rejects the notion that ethnicity is its defining feature. Instead, it defines the nation-state in political and secular terms, and citizenship means being loyal to the nation as a *political* community (Weldon 2006). Minorities are then expected to relinquish their cultural traditions and assimilate into the majority culture. The third one (individualistic-civic), also termed as the "pluralist" or "civic pluralism" model, follows the *jus soli* citizenship principle while it accepts multi-culturalism and regards ethnic and cultural orientation as a personal choice. Minorities are granted citizenship and equal political rights, while being allowed to maintain their distinct cultural traditions. Concerning *tolerance*, Weldon distinguishes between *political* and *social* tolerance. The first one refers to basic political liberties, while the second one refers to the explicit demonstration of cultural difference and its' acceptance of this by the native or majority population. Weldon hypothesized (and empirically confirmed) that collectivistic-ethnic countries are both politically and socially non-tolerant to diversity, while collectivistic-civic countries are politically tolerant and socially not tolerant and, finally individualistic-civic countries are both politically and socially tolerant. Gibson has pointed out (1992), that cultural conformity and intolerance lead to multiple constraints on individual political freedoms.

*Citizenship regime* is an important element of *distinct state traditions* which are also characterized through state-society relations, form of political organization, basis of policy style and form of decentralization (Loughlin I and Peters B.G. (1997). In “old” Europe (that means Europe without the “New Democracies” of Central and Eastern Europe), Loughlin and Peters (1997) categorized four sorts of state traditions:

- The *Anglo-Saxon* state tradition: characterized through pluralistic state-society relations, individualistic-civic citizenship regime, unitary state with limited regionalism/federalism, an incrementalist policy style, local government and devolution of power as form of decentralization
- The *Germanic* state tradition: characterized through organicist state-society relations, mostly collectivistic-ethnic citizenship regime, integral/organic and federalist political organization, a legal corporatist policy style, cooperative federalism as form of decentralization
- The *French/Napoleonic* state tradition: characterized through antagonistic state-society relations, mostly collectivistic-civic citizenship regimes, Jacobin “one and indivisible” political organization, a legal technocratic policy style and a regionalized unitary state as form of decentralization
- The *Scandinavian state tradition*: characterized through organicist state-society relations, individualistic-civic citizenship regimes, a decentralized unitary form of political organization, a consensual policy style and strong local autonomy as form of decentralization.

The new democracies of Central and Eastern Europe cannot really fit into these categories, although their pre-communist state traditions included particular ties to one of these traditions (e.g. Poland and Romania to the French Tradition, Hungary to the Germanic Tradition etc.). Anyway, even in “old” Western Europe these categories of state traditions are not clear cut, moreover “hybrid” cases (e.g. Spain after 1978 and Belgium after 1988) have emerged. Different elements of state traditions can be expected to encourage or discourage the acceptance of diversity. For instance, it can be expected that pluralistic state-society relations (in the anglo-saxon state tradition) would favor acceptance of diversity and the same could be the case, when organicist state-society relations in combination with an individualistic-civic citizenship regime exist (in the Scandinavian state tradition). On the other hand, antagonistic state-society relations and centralist state organization of the “one and indivisible” nation in the Napoleonic state tradition is obviously not encouraging acceptance of diversity.

Apart of these distinct state traditions, theory also addressed the question of distinct *welfare regimes* (Esping-Andersen, G. 1990). The originally three categories of Esping-Andersen have been further elaborated, modified and reviewed by several scholars (Arts and Gelissen, 2002). Today, four welfare state traditions (or models) can be distinguished that, however, cannot include the new democracies of Central and Eastern Europe (Sotiropoulos, Neamtu, Stoyanova 2003):

- The *Anglo-Saxon welfare model* (UK, Ireland) is also called the “residual welfare model” and is characterized by selectivity. This model features a lower level of expenditures than the other ones. Its main particularity is its social assistance of last resort, while active labor market policies are important and subsidies are directed to a higher extent to the working-age population and to a lower extent to pensions.
- The *continental welfare state* (Belgium, France, Germany, Luxembourg, Netherlands, Austria) is characterized by the strategy of “paying off” social problems. The compensatory measures are predominant. This model is based on the principle of "security" and includes subsidies which are not conditioned to employability
- The *Mediterranean welfare tradition* (Italy, Spain, Portugal, Greece) is characterized by a “rudimentary welfare state”, with a strong internal polarization in social benefits. There is a higher segmentation of rights and status of persons receiving subsidies leading to strongly conditioned access to social provisions. There is a class of “hyper-protected individuals” (white-collar workers), but also a large number of unprotected individuals (irregular workers, young people and the long-term unemployed). The main characteristic of labor market policies is a rigid employment protection legislation and a frequent resort to early retirement policies as a means to improve employment conditions. Deficiencies of welfare state are often compensated through family networks of assistance (Rhodes M. 1996).
- The *Scandinavian welfare model* (Sweden, Denmark, Finland), where the state is in charge of financing and organizing the social benefits for the citizens and the welfare model is accompanied by both a broad basis of taxation and a high taxation burden, while public employment rate is very high. This model has a more simple organization than the other European countries because most of the welfare tasks are carried out by the state and the local authorities and it is less dependent on individuals, national welfare organizations, families or churches. This model holds the highest level of social insurance. Its main characteristic is its universal provision nature which is based on the principle of "citizenship". Therefore, there exists a more generalized access, with lower conditionability, to the social provisions. As regards labor market, these countries are characterized by important expenditures in active labor market policies whose aim is a rapid reinsertion of the unemployed into the labor market.

These different European welfare state models reflect longstanding traditions and socio-economic peculiarities, while they also seem to partly correspond to the aforementioned *state traditions*: Indeed, the Scandinavian welfare model corresponds to the Scandinavian state tradition and the Anglo-Saxon welfare model to the Anglo-Saxon state tradition. The Mediterranean welfare model corresponds to the aforementioned Napoleonic state tradition (under the exception of France), while the Continental welfare model (again under the exception of France) corresponds to the Germanic state tradition. Once more, the Scandinavian welfare model and the Scandinavian state tradition seem to be more capable to incorporate diversity, since they tend to restrain social segregation and exclusion. Also the pluralist and individualistic-civic Anglo-Saxon state and citizenship tradition in combination with the Anglo-Saxon welfare model which emphasizes employability for everyone seem to be open to diversity. On the contrary, the Napoleonic state tradition in combination with the Mediterranean welfare model (which excludes France from this group of countries) seems to be the least open to diversity, given the segmentation of social rights, rigid employment protection legislation and strong familism.

Apart from state tradition, welfare regimes and institutional settings, also the established national political culture and the distinctive national democratic traditions can be important for the incorporation of cultural pluralism and diversity. A political culture can be (Lijphart, 1999) coalitional or contradictory, a democratic tradition can be aggregative (majoritarian or pendulum Democracy) or integrative (consensus or non-majoritarian) (March and Olsen, 1989). Within a democratic system with contradictory culture and an aggregative/majoritarian tradition, political competition for power is principally open, but exercise of power and decision-making is mostly exclusive (“Westminster democracy”, “winner takes it all” system). Then again, in a democratic system with coalitional political culture and an integrative/consensual tradition, not only political competition for power is open, but also exercise of power and decision-making is mostly open and inclusive. It seems that countries where a coalitional political culture and an integrative tradition prevail, do better in terms of economic performance and good governance (s. above, also World Economic Forum 2011, World Bank 2011). These are countries where inclusive political action seems to integrate diversity, avoiding social fractionalization and promoting social cohesion, sometimes further enhanced through re-distributive policies that restrain inequalities and strong welfare systems (Esping-Andersen, 1990, Sellers, J. M. and A. Lidstrom, 2007). Among the EU-15, countries where social acceptance of diversity (s. previous part) has been found to be comparatively higher are characterized into concrete Welfare Models and State Traditions, Political Cultures and Citizenship Regimes, as the following table is demonstrating,

**Table 5: Political Cultures and State Traditions, Citizenship Regimes and Welfare Models in EU-15**

<b>Country</b>	<b>Political Culture</b>	<b>Citizenship Regime</b>	<b>Welfare Model</b>	<b>State Tradition</b>
<b>Austria</b>	coalitional	Collect.Ethnic	Continental	Germanic
<b>Belgium</b>	coalitional	Collect.Ethnic	Continental	Hybrid
<b>Denmark</b>	coalitional	Collect.Civic	Scandinavian	Scandinavian
<b>Finland</b>	coalitional	Individ.Civic	Scandinavian	Scandinavian
<b>France</b>	contradictive	Collect.Civic	Continental	Napoleonic
<b>Germany</b>	coalitional	Collect.Ethnic	Continental	Germanic
<b>Greece</b>	contradictive	Collect.Civic	Mediterranean	Napoleonic
<b>Ireland</b>	contradictive	Individ.Civic	Anglo-Saxon	Anglo-Saxon
<b>Italy</b>	contradictive	Individ.Civic	Mediterranean	Napoleonic
<b>Luxembourg</b>	coalitional	Collect.Ethnic	Continental	Hybrid
<b>Netherlands</b>	coalitional	Individ.Civic	Continental	Germanic
<b>Portugal</b>	contradictive	Collect.Civic	Mediterranean	Napoleonic
<b>Spain</b>	contradictive	Individ.Civic	Mediterranean	Hybrid
<b>Sweden</b>	coalitional	Individ.Civic	Scandinavian	Scandinavian
<b>U.K.</b>	contradictive	Individ.Civic	Anglo-Saxon	Anglo-Saxon

According to the last table, *Scandinavian countries* are characterized through coalitional-consensual political culture an individualistic-civic citizenship regime, their distinctive Scandinavian state tradition (including, among other features, a very strong local autonomy) and the Scandinavian welfare model (which seems to be the most successful in terms in reducing inequality, s. Figure 1). Scandinavian institutions and political traditions seem to offer a context that facilitates acceptance of diversity (s. table 4). On the contrary, Mediterranean institutions and political traditions seem to offer, at first sight, a context that would not encourage acceptance of diversity. Mediterranean countries are characterized through a contradictive political culture and a framework of antagonistic relations between centralist state and society. Inequality in the Mediterranean countries reaches the highest scores in the EU-15 (s. above, Figure 1), since there is (under the exception of France) a welfare tradition with a high degree of fractionalization and segregation, privileged regimes for powerful pressure groups and an important role for informal family networks that counterbalance welfare deficiencies. All in all, contexts of institutions and traditions in the Mediterranean countries do not seem to encourage incorporation of ethnic

diversity. However, citizenship regimes in some of these countries (e.g. Spain) and historical contexts in others (e.g. Portugal) seem to encourage acceptance of diversity. Although inequality is high, contexts of institutions and traditions in Anglo-Saxon states seem to offer a framework that encourages the acceptance of diversity, probably through their individualistic-civic citizenship regimes, a welfare model that encourages free access to employment and, last but not least, the historical legacy of the English-speaking world that incorporates a huge spectrum of diversity and cultural pluralism. Finally, the picture of diversity acceptance is quite mixed in continental “rhine capitalist” states (s. table 4), obviously depending on national (historical, socio-economic etc.) contexts including the national political culture (e.g. coalitional and consensual traditions in the Netherlands).

The review of Political Cultures and State Traditions, Citizenship Regimes and Welfare Models has shown that national contexts are obviously important for the acceptance of diversity; however, there seem to be some common institutional and cultural features (s. table 5) that would explain higher acceptance of diversity in certain countries (s. table 4):

- *A coalitional-consensual political culture* that bridges political and social cleavages and discourages polarization and exclusive exercise of power
- *An individualistic-civic citizenship regime* that encourages both political and social tolerance
- *A Scandinavian welfare model* and/or *an Anglo-Saxon welfare model* because they both prioritize *high employment rates and facilitate access to labor market*.
- State traditions including pluralistic (Anglo-Saxon) or organicistic (Germanic or Scandinavian) state-society relations (the latter is mostly combined with strong *local autonomy*).

## 6. CONCLUSIONS

In the European Union, ethnic and cultural diversity, but also pluralism of values and ways of living are increasing and the same seems to gradually, even though asymmetrically, apply for the neighboring countries. The widely accepted assumption that cultural diversity and ethnic fractionalization have negative impacts on institutional and economic performance, human development, social cohesion and generalized trust could not be confirmed in many neighboring countries, candidate countries and new member states, while it certainly could not be confirmed in nearly all EU-15 states. In countries following the Europeanization path for a longer period, in long-established democracies, in countries with good governance and high institutional performance, *cultural diversity does not seem to have negative impacts*.

*Acceptance of diversity* seems to be higher in countries of good governance and high institutional performance, especially when rational/secular and self-expression values prevail. Also historical legacies and national contexts are important for the way in which different countries deal with diversity.

Institutional settings, political cultures and welfare traditions can also explain higher incorporation of diversity in some European countries. An *individualistic-civic citizenship regime*, *active employment policies*, *open markets*, a *culture of deliberation and consensual practices* can obviously contribute to stronger acceptance of diversity, just as *institutional capacity* and *governance quality* in general are doing. Since the European Union and its' neighbors are not simply willing to incorporate increasing cultural diversity, but also aim at taking full advantage of its positive effects on trade, FDI's and innovation (Ozgen, Nijkamp and Poot, 2011), respective policies should be further developed, from now on further emphasizing on institutional capacities and governance performance.

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